

The Case for PACE: turning Physical Assets into Compounding Earners

Markets love an acronym, and 'HALO' is the latest. Standing for Heavy Assets, Limited Obsolescence, HALO has become shorthand for the defensive rotation into hard assets insulated from AI-driven disruption.

Yet insulation alone may not be enough for long-term investors seeking progression as well as protection. That's where Physical Assets, Compounding Earners, or 'PACE' for short, comes in.

From ownership to operation

PACE is not just about owning assets. It's about operating essential infrastructure as compounding businesses. Cash flow growth, not just asset revaluation, drives returns, and REITs exemplify the model. Modern platforms such as those providing doctors' surgeries, self-storage, or logistics hubs actively manage their assets to grow rents, occupancy, and dividends.

Long-income REITs compound, delivering inflation-protected growth even when yields are stable. Operational REITs go further, driving income through active management and pricing agility.

Dividend histories* of holdings in the TM Gravis UK Listed Property Fund tell the story:

- *Primary Health Properties – 30 consecutive years of growth*
- *Derwent London – 18 consecutive years of growth*
- *Safestore Self Storage – 16 consecutive years of growth*
- *Sirius Real Estate – 12 consecutive years of growth*
- *LondonMetric Property- 10 consecutive years of growth*

These are not market fashions; they're engines of accumulation.

Easy as ABC

At the heart of the PACE philosophy lies a simple principle, articulated best by LondonMetric Property: ABC – Always Be Compounding. Compounding only works when the underlying real estate is mission-critical and rents are sustainable. For "triple-net" landlords such as LondonMetric, tenants shoulder repairs, insurance and rates, minimising leakage and protecting yields.



Keeping PACE

With investors currently concerned about both the concentration of AI-related stocks in global indices and whether these huge companies can sustain their momentum, PACE’s advantage lies in the eighth wonder of the world: compounding income over time.

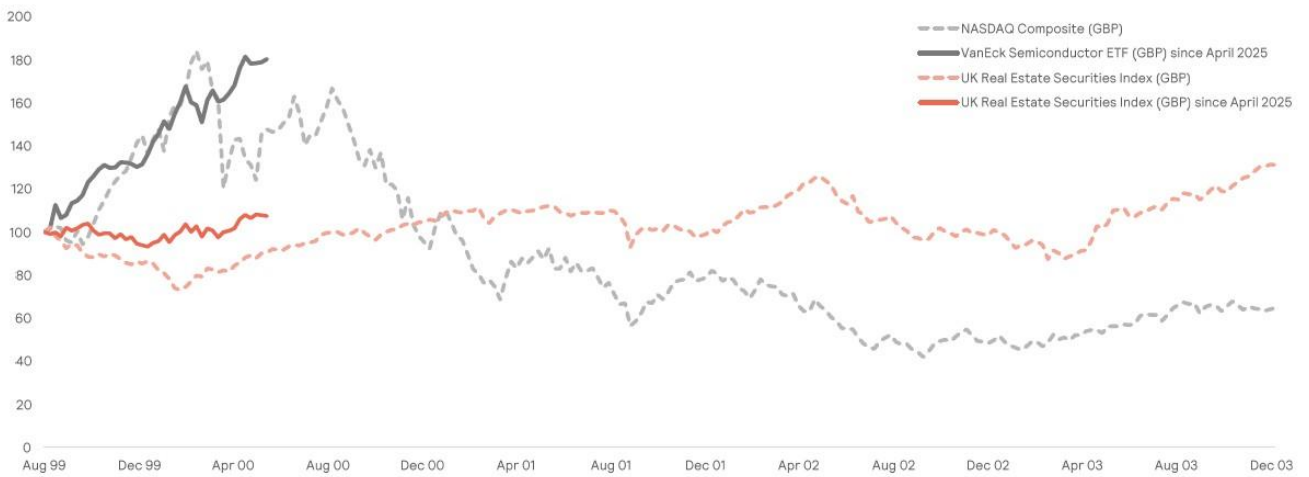
What’s more, history shows that as market euphoria fades, REIT income has shown resilience, supported by those contractual rents. From the dotcom peak in 1999/2000, the NASDAQ plunged 60% and UK property shares surged 60%.

REMEMBERING 2000 - WHEN TECH FALTERED, PROPERTY FLOURISHED

From the dotcom peak, the NASDAQ plunged 60% and UK property shares surged 60% — a reminder of the resilience potential in REITs.

As market euphoria fades, REIT income has historically shown resilience — supported by contractual rents.

Amid AI-driven market optimism, REIT income continues to grow — supported by next-generation real estate.



Past performance is not necessarily a guide to future performance. Source: European Public Real Estate Association (EPRA) and Gravis Advisory Ltd. For illustrative purposes only. Rebased 31.08.99. Data as at 31.01.26.

GRAVIS UK LISTED PROPERTY

Amid all the AI-driven market optimism, REIT income continues to grow.

**Source: company reports, Bloomberg*



Important information

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